

NEWS RELEASE



***OFFICE OF THE UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California***

***United States Attorney
Carol C. Lam***

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For Immediate Release

NEWS RELEASE SUMMARY - March 2, 2005

United States Attorney Carol C. Lam and United States Department of Justice, Criminal Division, Fraud Section Chief Joshua R. Hochberg jointly announced that a Grand Jury sitting in San Diego, California, today handed up a 33-count indictment charging Sandra Miller Christie, the former Vice President of Advertising of Advanced Marketing Services, Inc. ("AMS"), with one count of Conspiracy, in violation of Title 18, United States Code, Section 371, 19 counts of Wire Fraud, in violation of Title 18, United States Code, Sections 1343 and 2, and 13 counts of Falsifying the Books, Records and Accounts of AMS, in violation of Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1. The charges stem from Christie's alleged participation in a scheme to defraud AMS's clients out of advertising funds and to fraudulently inflate AMS's net income for several years.

Defendant SANDRA MILLER CHRISTIE held the position of Vice President of Advertising at AMS, a wholesaler of books to membership warehouse clubs and specialty retailers. AMS is a publicly-traded company that derived a significant portion of its net income from advertising services that it sold to publishers. AMS promised to provide publishers with certain advertising services, such as direct-mail postcards or ads in magazines produced by AMS, in exchange for a fee.

The indictment alleges that CHRISTIE conspired with several employees at AMS, including the Director of Advertising (Customer Accounts) and the Director of Advertising (Creative Services), to engage in a scheme to increase the profitability of their department by fraudulently reducing the quantity of advertising promotions that AMS had promised to provide. In one variation of the scheme, AMS employees had already promised publishers that specific numbers of direct-mail postcards would be printed and mailed, but CHRISTIE and her co-conspirators fraudulently cut that number in order to inflate the profitability of these items. Similarly, AMS sold advertising space in magazines that allegedly had certain, established levels of circulation, yet CHRISTIE and her co-conspirators printed and distributed only a fraction of that number in order to reduce costs and increase profitability. This scheme resulted in publisher losses of approximately \$6.8 million.

The indictment also alleges that CHRISTIE falsified the books and records of AMS in order to artificially inflate the net income of AMS and the Advertising Department. Specifically, the indictment alleges that defendant CHRISTIE directed an AMS employee to make false journal entries at AMS to reverse approximately \$4 million in unclaimed credits owed to warehouse club customers, which resulted in the appearance of inflated net income for the Advertising Department and AMS.

In announcing today's indictment, United States Attorney Lam said, "Officers and managers of public corporations have an obligation to play by the rules when it comes to meeting financial expectations. Engaging in corporate earnings fraud damages not only the victims and their employees, but also the shareholders of AMS and the unwitting employees who assumed AMS's officers were acting responsibly."

U.S. Attorney Lam encouraged employees and managers of public companies who observe unethical or

illegal behavior to report such information to the appropriate authorities, and stated that the investigation into the actions of AMS and its employees continues.

The case is the result of an investigation by the Federal Bureau of Investigation, San Diego Division, working cooperatively with a parallel civil investigation being conducted by the United States Securities and Exchange Commission, Division of Enforcement.

DEFENDANT

Sandra Miller Christie

SUMMARY OF CHARGES

Count 1: Conspiracy (18 U.S.C. §§ 371 and 1349): Maximum punishment of 20 years imprisonment, a fine of \$250,000, and three years supervised release.

Counts 2-20: Wire Fraud (18 U.S.C. §§ 1343 and 2): Maximum punishment of 20 years imprisonment, a fine of \$250,000, and three years supervised release.

Counts 21-33: Falsification of Books and Records (15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5), and 78 ff; 17 C.F.R. § 240.13b2-1): Maximum punishment of 20 years imprisonment, a fine of \$5,000,000, and three years of supervised release.

AGENCIES

Federal Bureau of Investigation, San Diego Division.
United States Securities and Exchange Commission, Division of Enforcement.